

## HEBER CREEPER

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March 17, 1977

### ANNUAL NEWSLETTER TO STOCKHOLDERS

This past year has undoubtedly been the most difficult we have had to face in our short history. As you will note from the profit and loss statement enclosed, our losses for the year 1976 exceeded our total previous losses for our entire history.

At the end of the season last year the management was prepared to recommend to the stockholders that we cease operations inasmuch as the single major obstacle, that of track restoration, was simply beyond our capacity to solve internally.

However, at the request of Wasatch County and the State of Utah, we decided to participate in an effort to see if grant funds could be made available to the State or the County so that a restoration effort could be initiated. The Board of Directors felt that if funds outside the corporate structure could be generated for the track restoration of state owned property, then the company should seek refinancing. All major capital investments have now been met, and we now are in a position that it is only necessary to generate adequate funds to retire debt, not to make major investments into plant, equipment and track restoration. In January, Wasatch County received a \$75,000.00 grant from the Utah Board of Outdoor Recreation. In February Wasatch County also received permission from the Utah Department of Transportation for the use of the railroad materials now located on the abandoned right-of-way between Olmstead and Nunns Crossing in Provo Canyon. The value of the scrap material is estimated to be around \$120,000.00 if considered as material that otherwise would have to be purchased on the open market. However, the value to the track restoration project has to be reduced by the cost of scraping out the line and transporting the materials to the jobsite. This is estimated to be around \$29,000.00, leaving a value of around \$90,000.00 worth of material. When added to the \$75,000.00 cash grant, the total value exceeds \$165,000.00, or four times the amount the Heber Creeper has been able to invest in State owned property in the past five years.

Also, Wasatch County the Utah State Parks have cooperated in an application to the Federal Economic Development Administration for a grant of \$1,135,000.00 for the general total restoration of the railroad right-of-way from Bridal Veil Falls to Heber City. This grant failed to gain approval from the first Public Works fund allocation made in December 1976, but has a high priority and has an excellent chance of being funded in the next allocation,

due for award sometime in late April or early May. It must be emphasized that these are 100% public works funds designed to create work projects in areas of cronic high unemployment and cannot be spent in any manner - on private grounds or for the direct benefit of private enterprize forms, except that the byproduct of public works that enhances the job potential in the private sector is a heavy contributor to the judgement criteria in determining who gets the grant.

If this grant is approved the upgrading of the right-of-way will be geared over a three or four year span on a heavy labor intensive program, and will result in a railroad right-of-way that would be adequate for the needs of a scenic steam railroad for many years without major expenditures of funds. It also allows for the involvement of the public investment that relatively assures continued support of the operation of that entity.

Based on these conditions, that company has financed itself with an additional loan from Small Business Administration and Zions Bank in the amount of \$250,000.00. At this writing, the funds are due at any time, and may well be in the hands of the company at the time of the annual meeting.

On the positive side, while the locomotive and track failures of the past year caused us some disasterous problems, we did end the season by acquiring two very excellent locomotives from the White Mountain Scenic Steam Railway, in Arizona. The purchase was made by sales agreement Mr. Hatch, President of the White Mt. Railway, provided we pay the cost of movement which we have done. There was some damage to one locomotive during movement, and if sizeable, we will press for claim from the moving company.

The company has realized it is not in a position to lease cafe's as a part of their activities, and during the year 1976 we severed all relations with the Hub Cafe and the Stardust Cafe. For the coming year the food services will be purchased on a bid basis from local cafes, the train personnel will assume the responsibility for serving the customers on the train. Many of our stewards and stewardesses have worked for the food service on the train, and have had previous experience, so we anticipate that we can provide the on-train service and contract for the food for a reasonable price.

The season proposed for the following year is similar to last year with school charters beginning the last week in April and continuing on through May and the regular service beginning on Mothers Day weekend and daily from Memorial Day weekend through the Labor Day weekend, then weekends only through Columbus Day weekend in October. One expanded service will be the Night Train. The most successful trains we operated last year were the short evening runs to the Dam on Monday and Tuesday Night, serving a single course meal as a food option in the dining cars. The demand was so overwhelming we have decided to add Wednesday and Thursday evening to this concept, increasing the price to \$12.50 per family and adding a slight increase to the food cost depending on the bid to us for providing the food. The tentative concept for the Friday and Saturday Night Club

Train is to also be a single item menu, of extremely high quality at as low a price as we can, served family style. The fare for the train ride will be sufficient to cover the cost of the trains operation, the food fare as low as possible, to still be profitable.

The day trains will run exactly as in the past. However, one aspect of the County-State railroad restoration program will be the creation of a passing track at Bridal Veil Falls rather than at Vivian Park. This will eliminate the necessity of putting the locomotive on the rear of the train at Vivian and backing into the Falls. It will reduce the actual running time by about 20 to 25 minutes per run, making it much more easy to adhere to our published schedule. The departure time from Bridal Veil Falls would probably be moved forward a bit on both runs, trying to allow a bit more time between runs at the Heber Depot. This would allow for an earlier return to Heber in the evening, giving us more assurance of being able to depart on time for our Family Night Train.

We are pleased to report that Dennis Spendlove, has been hired by Wasatch County to oversee the track work under the \$75,000.00 grant they have now been awarded. He is also responsible for the acquisition of the rail and tie materials from lower Provo Canyon. Dennis was our track superintendent for the first three years, then spent a season with the Denver and Rio Grande Western track gang, and went to Texas where he worked for the State of Texas helping create the Texas State Railway Park with Ed McLaughlin, another former employee of the Creeper. With the employment of Dennis, the County can feel assured the work will be done correctly, and the Creeper feels confident that he knows the condition of the track as well as anyone could, and will therefore correct the most critical deficiency as rapidly as possible.

One other area of help from the public sector is the possibility of the State of Utah acquiring a Diesel-Electric Locomotive from the Federal Government. They have been informed of the possible availability of two Federal-owned locomotives, and some work has been done by the Department of Parks and Recreation towards acquiring one of them. In all probability, the company would have to participate in the most of moving it into Heber Valley, but the costs could be prorated over the future use of the locomotive, and the savings to the company and to the County in the restoration program would be very sizeable. It would also be available as a rescue locomotive in times of possible breakdown, and there is some indication that additional weekday fall color runs might be profitable if operating costs are as low as predicted. This would add to the length of the current season and keep our full-time personnel more profitably occupied.

Therefore, while the conditions now existing indicate the best possible chance for making a sizeable operating profit, there are also serious potential problems for the future. They are as follows:

1. Law Suits: Currently the company is involved in two law suits. One is rather small, and relates to land damage claims on a fire by Deer Creek Dam. The land owner is claiming it will cost \$4,500.00 to reseed

the hill. It is currently being handled by our Insurance company and we should not have any consequences to the company except for possible future increases in insurance premiums.

The second is more serious in terms of size, but less incriminating in terms of our liability. During August a worker on the Dam Construction in Current Creek was going to his home in Midway, and struck the locomotive while it was crossing the highway. Fortunately for the company, the employees involved with the movement, Chick Nielsen, Gordon Wheeler, and Matt Austin, were basically following correct procedures, and it had been determined that the driver of the automobile had been drinking. However, he sustained a serious injury and is now paralyzed from the neck down. He had a history of injuries to his neck and back, and had been out of the hospital only a few months and was still wired together. Our insurance company has interviewed Mr. Nielsen and Mr. Wheeler and was very complimentary about their handling of the situation. While I do not believe the company has any liability, and we do have a million dollar policy for liability insurance, there is no question of the extent of the injury, and the courts are often sympathetic to the person with the injury. The possible implication of both suits is most probably going to be in terms of future higher insurance premium costs.

2. Drought: The lack of water will cause some concern. We do consume around 10,000 gallons of water per day in a steam locomotive. However, we are classified as an industrial consumer and as such, have a good priority rating. The possibilities of fire are ever present and as last year, could cause considerable loss of revenue if the season becomes as dry as it was last summer. To reduce this potential, the Wasatch Mountain State Park officials under Martin Van Roosendaal is going to try and enlist the services of their youth corp personnel in a brush clearing effort, and in a soil sterilization program that will clear the roadbed of any live vegetation, and get rid of any piles of dry debris in the canyon, as well as clip back the brush which has been a problem to the train for years. This effort coupled with the use of the new oil burning locomotives should reduce the fire hazard to a bare minimum. If we are fortunate in acquiring the use of a diesel-electric locomotive from the State, this could also be used in some areas to further reduce the danger of fire, and as a conservation effort for water if conditions become very critical.

The other factor drought could effect would be the general tourist travel through Utah. There is absolutely nothing we can do except hope the drought lessens through the summer. The only positive sign we can see is that the long term 30 day forecast for March 15 to April 15 is above normal precipitation for Utah. This is the first above normal 30 day forecast that has been made for Utah in a year. Let us hope it materializes.

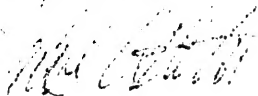
In conclusion, management recognizes the current frailty of the company financially. This offset with the solution of our two most serious long-term problems: Adequacy of locomotives and a solid, sizeable track upgrading program. With the willingness of Mr. Hatch to join our ranks as a stockholder, and work with us during the summer developing a maintenance program by training our personnel in the proper maintenance of the two locomotives that he has successfully operated for 13 years without a mishap, we feel confident that the problems of consistent reliable power is now over at long last. With

the County program of track restoration under Dennis Spendlove, that haunting problem now is being addressed, and the small grant alone should solve all serious track problems for several years, as well as allowing us desperately needed flexibility in time.

The potential of the large million dollar grant is huge. The success of the train would almost be assured, and the increasing interest from the public sector would make seasonal expansion very feasible. If we are unable to acquire the use of a diesel-electric locomotive for this season, the activities of the State assure us that ultimately this will become a reality. After that, the ability for the company to acquire and retain a qualified year-around well paid staff should be assured, and that will ultimately result in adequate returns to eventually begin to return to the stockholders some compensation for their patience.

If there are any questions, please come to the stockholder meeting, or address them to me personally at any time. I personally feel neither discouraged or enthusiastic. We have had problems, they have to the most part been solved, or reduced to manageable size. The past indicates that if we do not have breakdowns or track failures, the train operation can sustain itself. If we are relieved of the responsibility for track maintenance, and the major capital expenditures are now behind us, then the operation on the level it has maintained in the past can eventually amortize the debt, and ultimately pay a dividend. This is not an encouraging report I know, but at least we have an opportunity, and we pledge that we will do everything in our power to utilize every asset we have to the utmost. I would like to end by saying that for the most part the current Board has been among the best we have had to work with. Most have diligently attended all meetings and have entered into the decision making process with care and study. I have appreciated their help and advice during most trying times.

Very truly yours,

  
Lowe Ashton  
President



HEBER CREEPER, INC.  
INCOME STATEMENT - UNAUDITED  
FOR PERIOD ENDED DEC 31, 1976

DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD AMOUNT %	CURRENT YR-TO-DTE AMOUNT %	PRIOR YEAR END AMOUNT %
<b>INCOME</b>				
TICKET SALES	99 3001		116,767.79CR 24.28	123,706.04CR 23.41
CHARTER TICKET SALES	99 3002		12,955.24CR 2.70	10,409.24CR 1.97
RESIDENT PASS SALES	99 3003		529.90CR .11	1,255.64CR .24
NIGHT TRAIN TICKET SALES	99 3004		4,125.07CR .86	15,184.19CR 2.87
FOOD SALES CONCESSION CAR	99 3005		17,949.50CR 3.73	17,011.40CR 3.22
GIFT SALES DEPOT	99 3006		11,789.56CR 2.45	12,971.13CR 2.45
FOOD SALES DAY DINER	99 3007		6,467.56CR 1.34	11,392.22CR 2.16
FOOD SALES NIGHT TRAIN	99 3008		29,852.78CR 6.21	19,256.95CR 3.64
LOUNGE SALES	99 3009		2,663.34CR .55	3,082.78CR .58
CHARTER DINER/LOUNGE SALES	99 3010		5,987.21CR 1.24	1,934.75CR .37
MONDAY NT FOOD	99 3011		5,212.05CR 1.08	.00 .00
FOOD SALES STARDUST	99 3012		20,934.06CR 4.35	82,341.31CR 15.58
GAS COMMISSION	99 3013		.00 .00	5,939.81CR 1.12
DIESEL COMMISSION	99 3014		.00 .00	289.78CR .05
GROCERY SALES	99 3015		.00 .00	19,112.35CR 3.62
FOOD SALES HUB	99 3016		228,202.31CR 47.45	176,475.87CR 33.39
GIFT SALES HUB	99 3017		.00 .00	6,869.48CR 1.30
MONDAY NIGHT TRAIN	99 3018		11,456.07CR 2.39	.00 .00
MONDAY NT CONCESSION	99 3019		772.87CR .16	.00 .00
SNACK CAR	99 3020		2,073.86CR .43	.00 .00
OTHER INCOME	99 3101		3,270.53CR .68	20,679.63CR 3.91
PURCHASE DISCOUNTS	99 3102		122.04 .03	576.80CR .11
TOTAL INCOME			480,967.66CR 100%	528,489.37CR 100%
<b>COST OF SALES</b>				
FOOD PURCHASES	99 3501		146,789.72 30.52	139,845.26 26.46
GIFT ITEM PURCHASES	99 3502		4,766.00 .99	5,733.98 1.08
LOUNGE PURCHASES	99 3503		1,269.44CR .26	238.13 .05
GROCERY PURCHASES	99 3504		.00 .00	21,180.46 4.01
TOTAL COST OF SALES			150,266.28 31.25	166,997.83 31.60
GROSS PROFIT			330,681.38CR 68.75	361,491.54CR 68.40
<b>EXPENSES</b>				
ADVERTISING	99 4001		17,993.63 3.74	20,190.37 3.82
PROMOTION	99 4002		7,870.10 1.64	2,093.04 .39

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DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD AMOUNT %	CURRENT YR-TO-DTE AMOUNT %	PRIOR YEAR END AMOUNT %
TRAVEL AND ENTERTAINMENT	99 4003		1,155.66 .24	1,131.39 .21
MANAGEMENT FEE	99 4101		.00 .00	.00 .00
WAGES - GENERAL AND ADMINISTRATIVE	99 4102		45,177.77 9.39	43,901.29 8.31
WAGES - TICKET SALES	99 4103		1,857.19 .39	1,247.62 .24
WAGES - GIFT SALES	99 4104		1,372.74 .29	845.63 .16
WAGES - FOOD SALES CONCESSION	99 4105		3,275.33 .68	1,883.47 .36
WAGES - YARD	99 4106		2,773.45 .58	3,762.95 .71
WAGES - MAINTENANCE	99 4107		11,955.38 2.49	9,943.80 1.88
WAGES - ENGINEER, FIREMAN, CONDUCTOR	99 4108		14,932.32 3.10	13,709.95 2.59
WAGES - STEWARD, STEWARDESS	99 4109		6,598.77 1.37	8,954.27 1.69
WAGES - RESTORATION AND CONSTRUCTION	99 4110		.00 .00	.00 .00
WAGES - TRACK	99 4111		305.49 .06	.00 .00
WAGES - COOK	99 4112		27,712.85 5.76	28,931.24 5.47
WAGES - WAITRESS	99 4113		35,907.43 7.47	37,125.93 7.02
WAGES - CLEANING/BUSING	99 4114		12,348.34 2.57	13,644.91 2.58
WAGES - LOUNGE	99 4115		715.50 .15	1,117.00 .21
WAGES - FOOD PREPARATION TRAIN	99 4116		.00 .00	.00 .00
WAGES - GROCERY/GAS	99 4117		.00 .00	4,144.32 .78
ENGINEER, FIREMAN & CONDUCTOR - MNT	99 4118		883.97 .18	.00 .00
STEWARD & STEWARDESS - MNT	99 4119		839.87 .17	.00 .00
ENGINEER, ETC. - NT	99 4120		1,980.32 .41	.00 .00
STEWARD & STEWARDESS - NT	99 4121		832.29 .17	.00 .00
WAGES - SNAK	99 4122		292.84 .06	.00 .00
COMMISSIONS	99 4127		426.60 .09	.00 .00
PAYROLL TAXES AND INSURANCE	99 4151		18,074.00 3.76	16,128.67 3.05
DUES AND SUBSCRIPTIONS	99 4201		100.00 .02	116.50 .02
LEGAL	99 4202		450.00 .09	215.21 .04
ACCOUNTING	99 4203		1,995.00 .41	3,942.50 .75
INSURANCE	99 4301		16,398.90 3.41	17,836.96 3.38
INTEREST	99 4302		17,875.23 3.72	12,195.82 2.31
CLEANING AND OPERATING SUPPLIES	99 4303		10,197.66 2.12	8,632.55 1.63
OFFICE SUPPLIES AND POSTAGE	99 4304		518.51 .11	2,596.21 CR .49
EMPLOYEE UNIFORMS	99 4305		1,460.03 .30	60.71 .01
UTILITIES	99 4306		10,057.17 2.09	7,520.07 1.42
TELEPHONE	99 4307		4,510.10 .94	2,700.40 .51
TICKETS	99 4308		.00 .00	594.26 .11
BANK AND CREDIT CARD CHARGES	99 4309		159.58 .03	339.97 .06

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DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD AMOUNT %	CURRENT YR-TO-DTE AMOUNT %	PRIOR YEAR AMOUNT %
PROPERTY TAX	99 4310		7,035.22 1.46	5,333.73 1.01
TAXES AND LICENSES	99 4311		1,346.19 .28	7,425.86 1.41
LEASE EXPENSE - PROPERTY	99 4312		26,331.86 5.47	36,002.32 6.81
LEASE EXPENSE - EQUIPMENT	99 4313		109.52 .02	237.08 .04
PRINTING	99 4314		2,194.12 .46	1,646.19 .31
LOUNGE ENTERTAINMENT	99 4315		1,969.50 .41	755.00 .14
LINEN, DISHES, SILVERWARE	99 4316		1,656.29 .34	4,009.20 .76
LAUNDRY	99 4317		4,830.92 1.00	1,367.76CR .26
REPAIR AND MAINT - ENGINES	99 4401		1,776.75 .37	3,846.21 .73
REPAIR AND MAINT - ROLLING STOCK	99 4402		1,882.65 .39	1,710.15 .32
REPAIR AND MAINT - BUILDINGS	99 4403		1,869.16 .39	1,815.20 .34
REPAIR AND MAINT - TRACK	99 4404		.00 .00	352.03 .07
REPAIR AND MAINT - TOOLS, EQUIPMENT	99 4405		4,365.42 .91	4,333.30 .82
VEHICLES	99 4406		1,717.46 .36	569.53 .11
FUEL, OIL, GREASE	99 4407		33,850.66 7.04	16,431.37 3.11
OTHER EXPENSE	99 4501		1,338.51 .28	2,396.77 .45
CASH OVER/SHORT	99 4502		455.43 .09	856.37 .16
DEPRECIATION	99 4601		16,060.54 3.34	25,758.46 4.87
AMOUNT ORG. EXPENSE	99 4602		15,959.49 3.32	4,688.32 .89
TOTAL EXPENSES			403,833.71 83.96	377,103.92 71.36
NET INCOME			73,152.33 15.21	15,612.38 2.95